

What's Up Your Tailpipe?



Overview of an E85 Pilot Market Michigan Ethanol Coalition

Lansing, MI - April 23, 2003

Provided by

National Ethanol Vehicle Coalition

www.E85Fuel.com

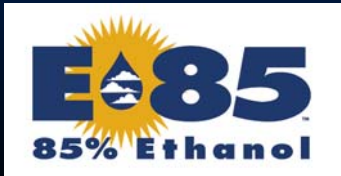


What's Up Your Tailpipe?

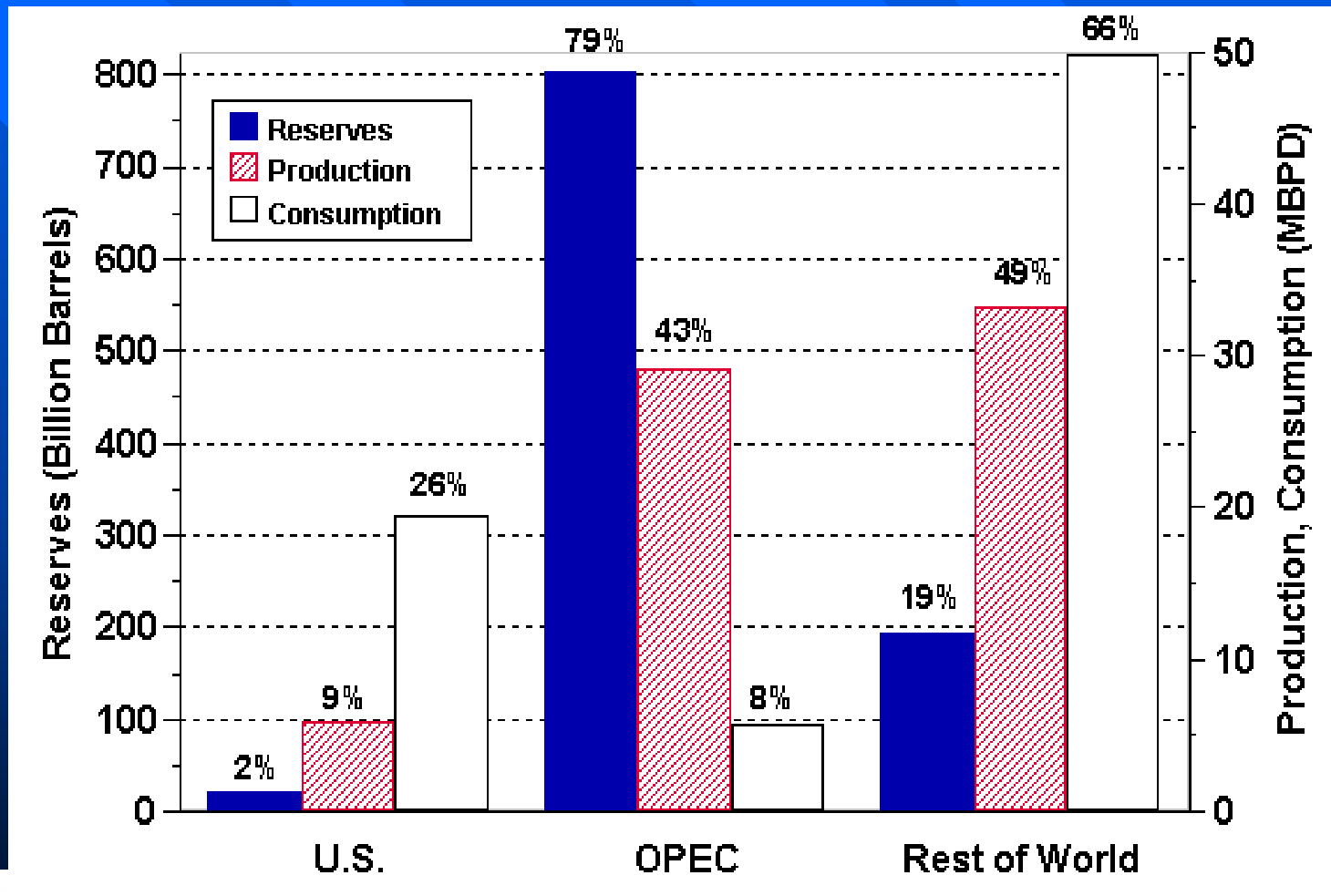
(Take it as you will)



Why E85 in MN?



U.S. Accounts for 26% of Use; 9% of Oil Production Only 2% of World Oil Reserves





Have agriculture . . . Will travel!

VOCs

CO

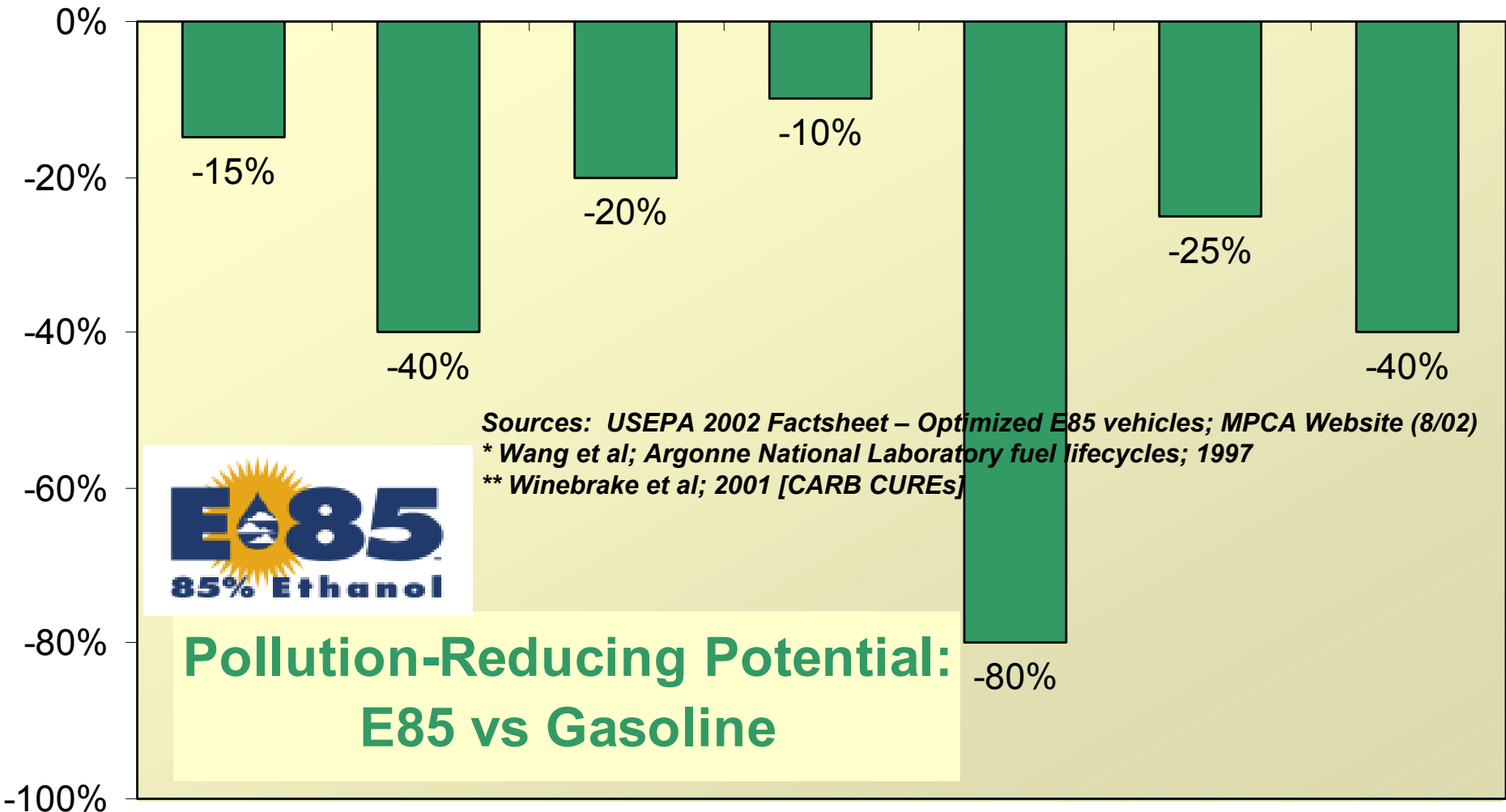
Particulates

NOX

Sulfates

*GHG

**Toxics



Minnesota E85 Team

MN Corn Growers Association

MN Coalition for Ethanol

MN Dept of Commerce

MN Off. of Environmental Assistance

MN Dept of Agriculture

National Ethanol Vehicle Coalition

Ford Motor Company

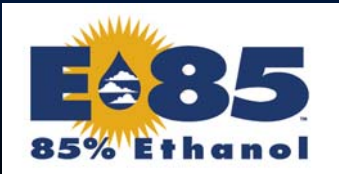
US Dept of Energy Clean Cities

American Lung Association of MN



Ethanol: E85 and other blends

- E85 (85% denatured ethanol - 15% petroleum)
- Not ethanol-blended gasoline (E10) or *gasohol*
- ~330 million gallons of ethanol produced in MN
- MN imports 100% of its petroleum
- E85 is designed for flexible fuel vehicle (FFV) engines now standard in many models



E85 Continued

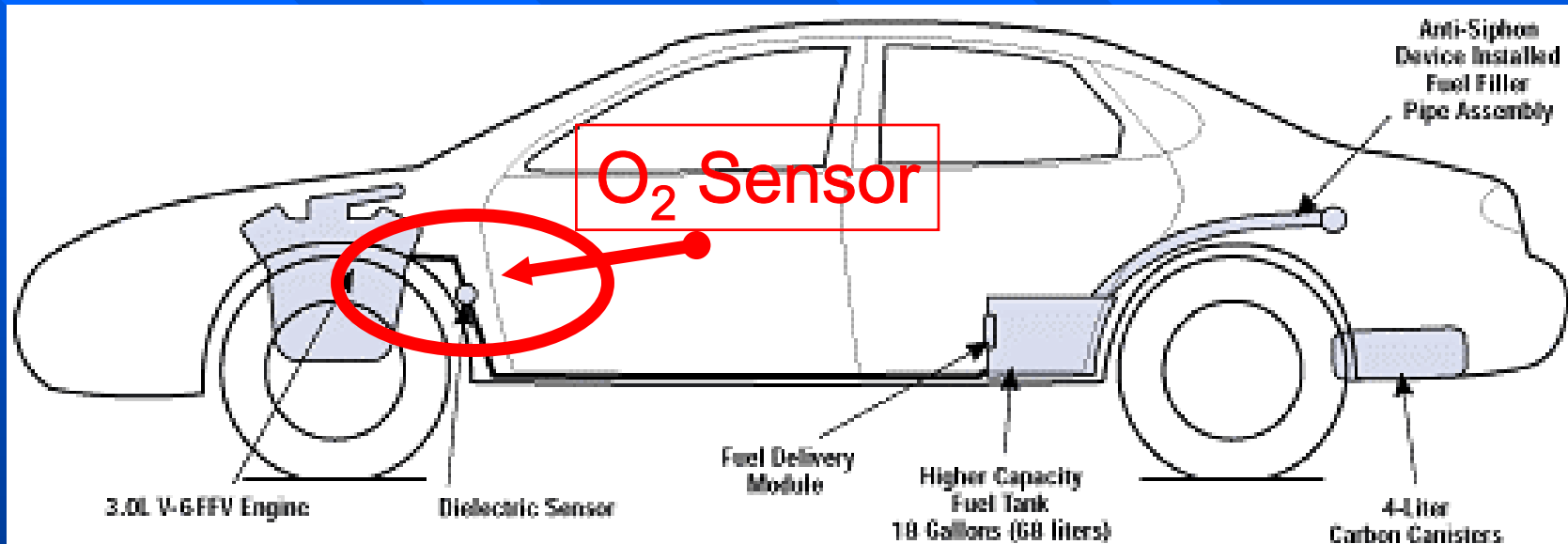
- 100-plus (105) octane, liquid
- Fermented from starch, sugars, wastes
- “Cleaner” than gasoline
- 80% less of the contaminants
(benzene, xylene, sulfur, etc)
- 80% less gum-formers (olefins)
- 80% BTU (energy) content of gasoline





"He says that some day we'll use this to
fuel our cars. What's a car?"

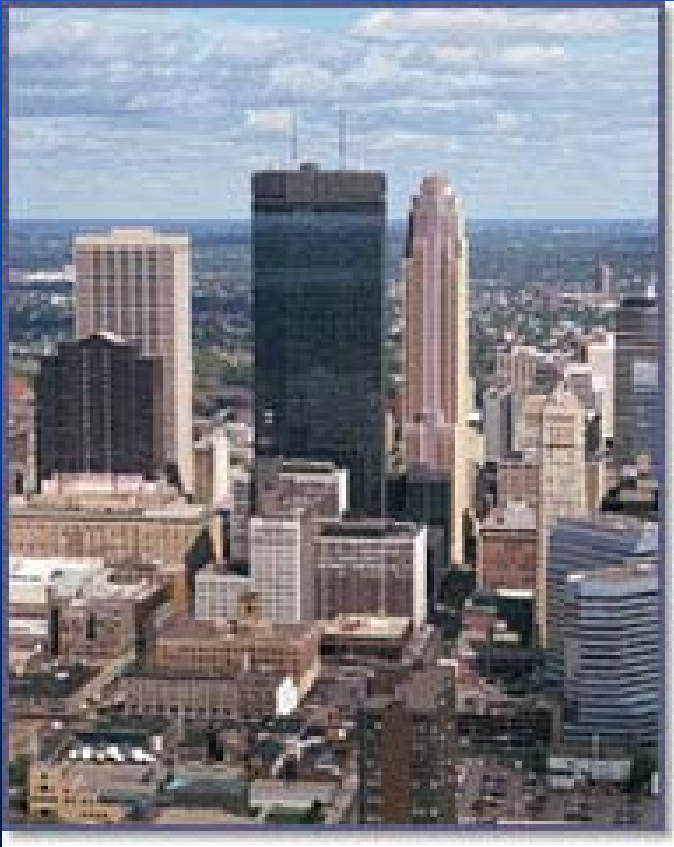
Flexible Fuel Vehicles (FFVs)



- Any mix of gasoline and E85 in same tank
- Flexible: *Good & bad*
- Emissions, performance . . .

National E85 Pilot Market

Minneapolis–St. Paul–Minnesota



2003: Network of 75 stations

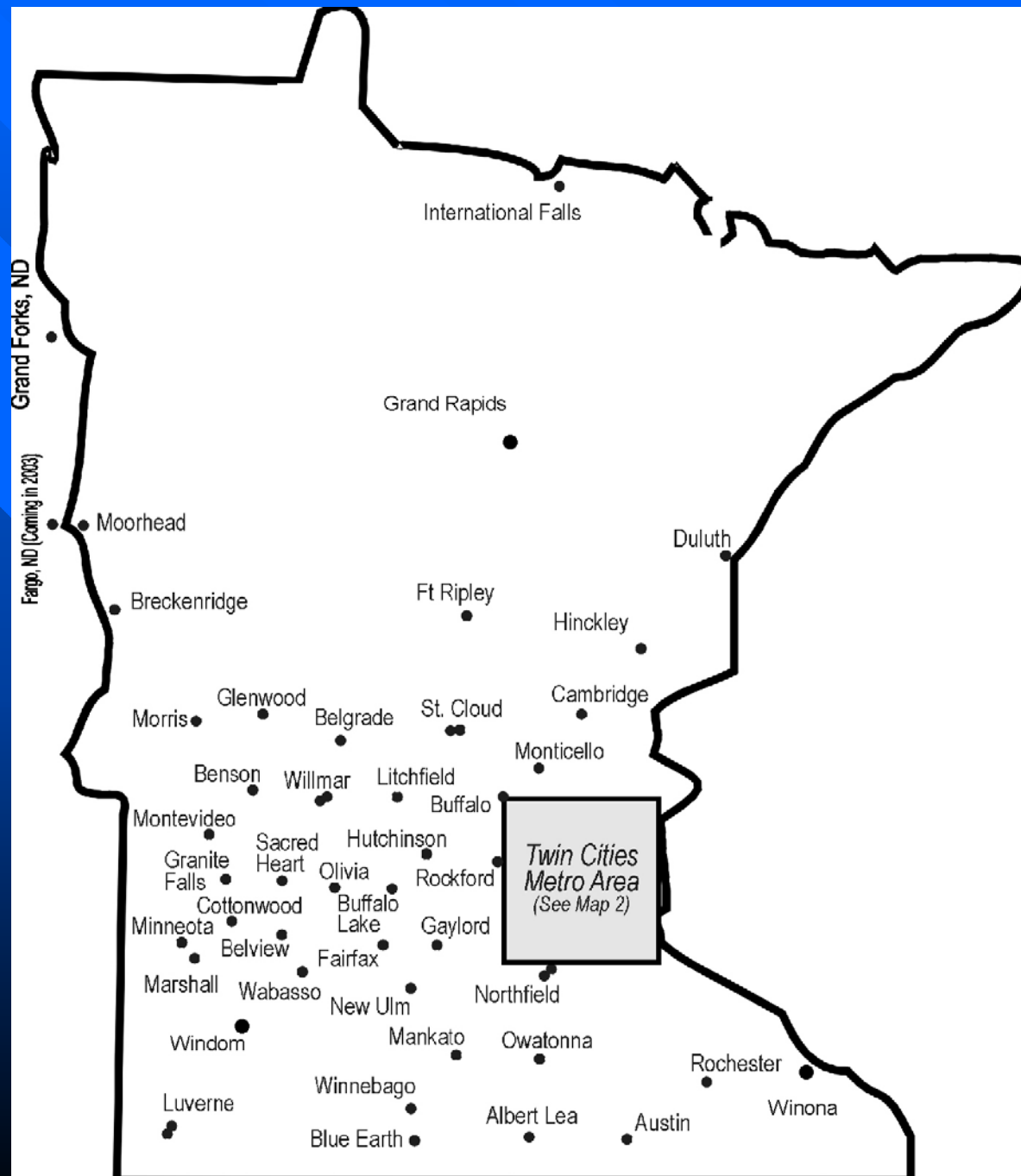
**2002: National USEPA and
USDOE awards**

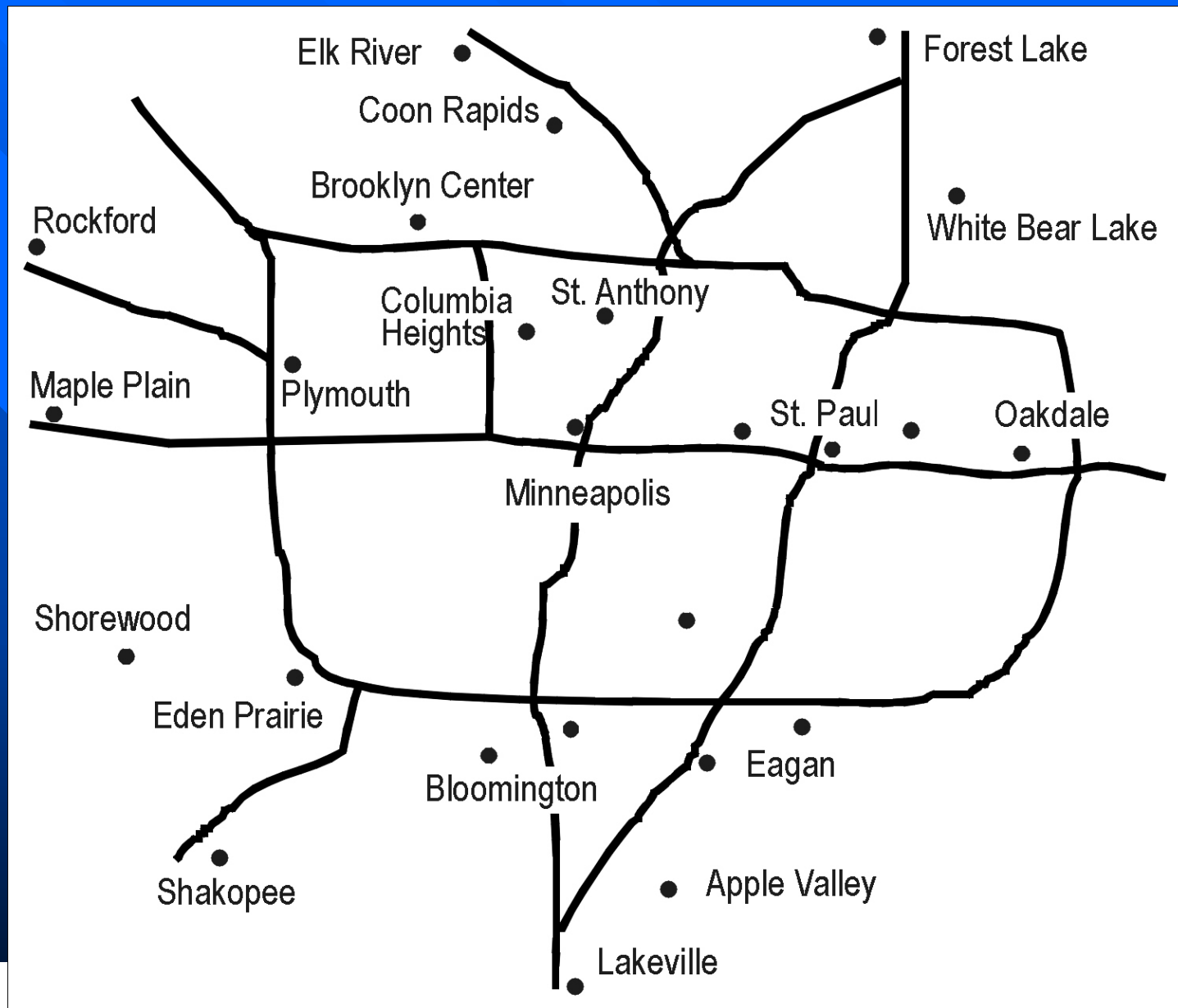
**2001: Twin Cities Clean
Cities Coalition (TC4)**

2000: First 30 stations

1998: Nat'l E85 pilot market

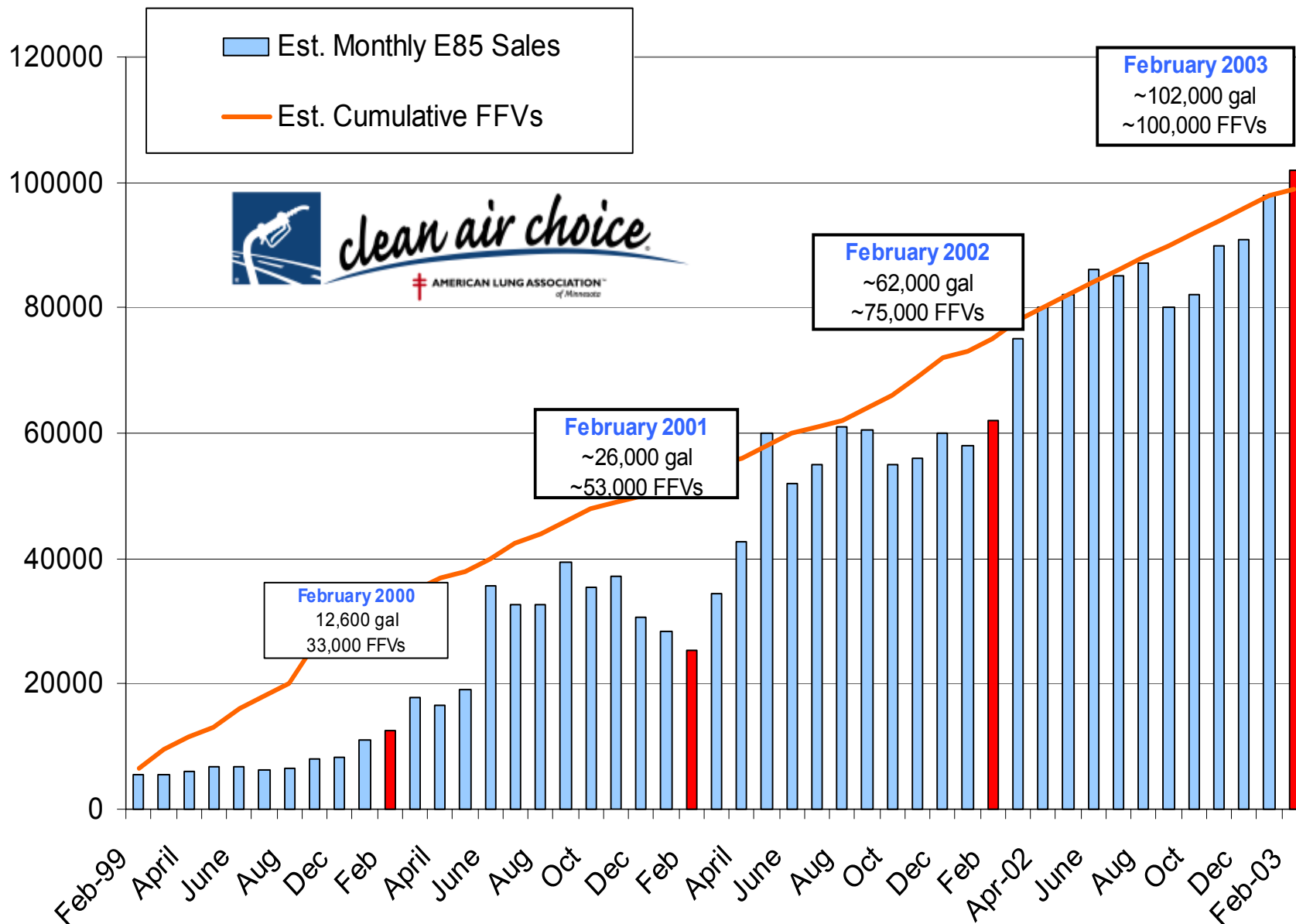






MINNESOTA E85 PROJECT

Gallons or FFVs





Lessons Learned

- E85 is not diesel/petroleum
- Wholesale supply and pricing are critical
- Partnerships make it happen
- People really want 'stuff like this' . . .
Someone has to educate them
- Balance site-building & promo-education



Made in USA. Clean. Renewable. 105-Octane.

FREE E85 FUEL

Up to 15 gallons!

Thursday, Feb. 20
3 pm to 6 pm

Severson's Conoco
4th St. NW exit off I90
Austin

For *Flexible Fuel Vehicles Only

E85
85% Ethanol

Sponsors:

AgStar Financial Services, Severson's Conoco, Usem Inc.
Mower County Corn Growers and the MN E85 Team.

*FFVs use E85 and gas interchangeably. Fuel door decal indicates E85 use. Call 1(800)642-LUNG.

**Exhibiting &
Selling**



**Fleet
Workshops & Events**

**Mass
Marketing**

What's Needed?

- Station-building (Convenience)
- Marketing (Promo-Education)
 - “Build it, and they don’t just show up”*
- Proper pricing and education are critical
 - “They don’t even know they drive an FFV”*

What investment will be made to achieve E85 FFV benefits?



Reality

- Consumers choose by:
 - 1) Price
 - 2) Convenience
 - 3) ? Other ?
 - *Perceived* performance
 - Agri-connection
 - Environment
- Price 10%-20% below gasoline
- Dealers/customer bottleneck; ethanol demand; oil volatility; legislation (tax incentives); volumes sold; etc.





What Are You Waiting For?

Made in USA. Clean. Renewable. 105-Octane.

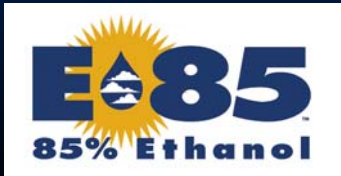
Join the Fight . . .

NEVC: 877-485-8595 — www.E85Fuel.com

Typical Fuel Ethanol Blending

“Gasohol” or E10 blended at 5.7%, 7.7%, or 10%

“E85” blends from min 70 % to max 85%



TAX CREDITS

Two components make up current E85 incentives:

Federal excise tax is reduced by 5.2 cents to a 13.2-cent rate from the standard 18.4 cents per gallon of gasoline. This equates to 52 cents per gallon of denatured ethanol. (See IRS Form 720)

52-cent per gallon *Credit for Alcohol Used as Fuel* is also considered. This credit applies only to the alcohol portion of the fuel. Tax credit is taxable as income. (See IRS Form 6478)



BLENDER OF RECORD (BOR)

Only Blender of Record (BOR) is entitled to claim *Credit for Alcohol Used as Fuel*. The BOR must hold a Distributors License and have title and possession of fuel components at time of blending.



PASS-THROUGH ENTITIES

Credit for Alcohol Used as Fuel, as reported on IRS form 6478, is allocated to each shareholder, partner, and beneficiary in the same way income and loss are divided.

Cooperatives are NOT a pass-through entity and cooperative shareholders may NOT apply credits to their tax liability.



TERMINAL EQUIPMENT REQUIRED

BOR needs blending tank, or blending valve or meter, in order to blend E85. Most fuel terminals have capability to meter products into a single tanker truck.

Ethanol plants, which already denature ethanol in onsite tanks, may need a storage tank for blending E85 or a meter capable of measuring more than one fuel product.



Form **1040** U.S. Individual Income Tax Return **2002** (99) IRS Use Only—Do not write or staple in this space.

Department of the Treasury—Internal Revenue Service

Label
(See instructions on page 21.)
Use the IRS label. Otherwise, please print or type.

Presidential Election Campaign
(See page 21.)

Filing Status
Check only one box.

Exemptions
If more than five dependents, see page 22.

Income
Attach Forms W-2 and W-2G here. Also attach Form(s) 1099-R if tax was withheld.
If you did not get a W-2, see page 23.
Enclose, but do not attach, any payment. Also, please use Form 1040-V.

Adjusted Gross Income

Important!
You must enter your SSN(s) above.

Note. Checking "Yes" will not change your tax or reduce your refund. Do you, or your spouse if filing a joint return, want \$3 to go to this fund? . . . ☐ Yes ☐ No ☐ Yes ☐ No

1 ☐ Single
2 ☐ Married filing jointly (even if only one had income)
3 ☐ Married filing separately. Enter spouse's SSN above and full name here. **4** ☐ Head of household (with qualifying person). (See page 21.) If the qualifying person is a child but not your dependent, enter this child's name here. **5** ☐ Qualifying widow(er) with dependent child (year spouse died **▶**). (See page 21.)

6a ☐ Yourself. If your parent (or someone else) can claim you as a dependent on his or her tax return, do not check box 6a
b ☐ Spouse
c Dependents:
(1) First name Last name (2) Dependent's social security number (3) Dependent's relationship to you (4) ☒ If qualifying child for child tax credit (see page 22)
d Total number of exemptions claimed

7 Wages, salaries, tips, etc. Attach Form(s) W-2
8a Taxable interest. Attach Schedule B if required
b Tax-exempt interest. Do not include on line 8a **8b**
9 Ordinary dividends. Attach Schedule B if required
10 Taxable refunds, credits, or offsets of state and local income taxes (see page 24)
11 Alimony received
12 Business income or (loss). Attach Schedule C or C-EZ
13 Capital gain or (loss). Attach Schedule D if required. If not required, check here ☐
14 Other gains or (losses). Attach Form 4797
15a IRA distributions **15a** **b** Taxable amount (see page 25)
16a Pensions and annuities **16a** **b** Taxable amount (see page 25)
17 Rental real estate, royalties, partnerships, S corporations, trusts, etc. Attach Schedule E
18 Farm income or (loss). Attach Schedule F
19 Unemployment compensation
20a Social security benefits **20a** **b** Taxable amount (see page 27)
21 Other income. List type and amount (see page 29)
22 Add the amounts in the far right column for lines 7 through 21. This is your **total income** **▶**

23 Educator expenses (see page 29)
24 IRA deduction (see page 29)
25 Student loan interest deduction (see page 31)
26 Tuition and fees deduction (see page 32)
27 Archer MSA deduction. Attach Form 8853
28 Moving expenses. Attach Form 3903
29 One-half of self-employment tax. Attach Schedule SE
30 Self-employed health insurance deduction (see page 33)
31 Self-employed SEP, SIMPLE, and qualified plans
32 Penalty on early withdrawal of savings
33a Alimony paid **b** Recipient's SSN **▶**
34 Add lines 23 through 33a
35 Subtract line 34 from line 22. This is your **adjusted gross income** **▶**

No. of boxes checked on 6a and 6b **1**
No. of children on 6c who:
• lived with you **1**
• did not live with you due to divorce or separation (see page 22)
Dependents on 6c not entered above
Add numbers on lines above **2**

21 33,280
22 200,000
34
35 200,000

For Disclosure, Privacy Act, and Paperwork Reduction Act Notice, see page 76.

Cat. No. 11320B

Form **1040** (2002)



Tax and Credits**Standard Deduction for—**

• People who checked any box on line 37a or 37b or who can be claimed as a dependent, see page 34.

• All others:
Single, \$4,700
Head of household, \$6,900
Married filing jointly or Qualifying widow(er), \$7,850
Married filing separately, \$3,925

Other Taxes**Payments**

If you have a qualifying child, attach Schedule EIC.

Refund

Direct deposit? See page 56 and fill in 71b, 71c, and 71d.

Amount You Owe**Third Party Designee****Sign Here**

Joint return? See page 21. Keep a copy for your records.

Paid Preparer's Use Only

36	Amount from line 35 (adjusted gross income)	36	200,000
37a	Check if: <input type="checkbox"/> You were 65 or older, <input type="checkbox"/> Blind; <input type="checkbox"/> Spouse was 65 or older, <input type="checkbox"/> Blind. Add the number of boxes checked above and enter the total here	37a	
b	If you are married filing separately and your spouse itemizes deductions, or you were a dual-status alien, see page 34 and check here	37b	<input type="checkbox"/>
38	Itemized deductions (from Schedule A) or your standard deduction (see left margin)	38	50,000
39	Subtract line 38 from line 36	39	50,000
40	If line 36 is \$103,000 or less, multiply \$3,000 by the total number of exemptions claimed on line 6d. If line 36 is over \$103,000, see the worksheet on page 35	40	6,000
41	Taxable income. Subtract line 40 from line 39. If line 40 is more than line 39, enter -0-	41	44,000
42	Tax (see page 36). Check if any tax is from: a <input type="checkbox"/> Form(s) 8814 b <input type="checkbox"/> Form 4972	42	35,000
43	Alternative minimum tax (see page 37). Attach Form 6251	43	6,500
44	Add lines 42 and 43	44	41,500
45	Foreign tax credit. Attach Form 1116 if required	45	0
46	Credit for child and dependent care expenses. Attach Form 2441	46	0
47	Credit for the elderly or the disabled. Attach Schedule R	47	0
48	Education credits. Attach Form 8863	48	0
49	Retirement savings contributions credit. Attach Form 8880	49	0
50	Child tax credit (see page 39)	50	0
51	Adoption credit. Attach Form 8839	51	0
52	Credits from: a <input type="checkbox"/> Form 8396 b <input type="checkbox"/> Form 8859	52	0
53	Other credits. Check applicable box(es): a <input type="checkbox"/> Form 3800 b <input type="checkbox"/> Form 8801 c <input type="checkbox"/> Specify	53	33,280
54	Add lines 45 through 53. These are your total credits	54	33,280
55	Subtract line 54 from line 44. If line 54 is more than line 44, enter -0-	55	8,220
56	Self-employment tax. Attach Schedule SE	56	0
57	Social security and Medicare tax on tip income not reported to employer. Attach Form 4137	57	0
58	Tax on qualified plans, including IRAs, and other tax-favored accounts. Attach Form 5329 if required	58	0
59	Advance earned income credit payments from Form(s) W-2	59	0
60	Household employment taxes. Attach Schedule H	60	0
61	Add lines 55 through 60. This is your total tax	61	8,220
62	Federal income tax withheld from Forms W-2 and 1099	62	0
63	2002 estimated tax payments and amount applied from 2001 return	63	30,000
64	Earned income credit (EIC)	64	0
65	Excess social security and tier 1 RRTA tax withheld (see page 56)	65	0
66	Additional child tax credit. Attach Form 8812	66	0
67	Amount paid with request for extension to file (see page 56)	67	0
68	Other payments from: a <input type="checkbox"/> Form 2439 b <input type="checkbox"/> Form 4136 c <input type="checkbox"/> Form 8885	68	0
69	Add lines 62 through 68. These are your total payments	69	30,000
70	If line 69 is more than line 61, subtract line 61 from line 69. This is the amount you overpaid	70	21,780
71a	Amount of line 70 you want refunded to you	71a	
b	Routing number	c	Type: <input type="checkbox"/> Checking <input type="checkbox"/> Savings
d	Account number		
72	Amount of line 70 you want applied to your 2003 estimated tax	72	
73	Amount you owe. Subtract line 69 from line 61. For details on how to pay, see page 57	73	
74	Estimated tax penalty (see page 57)	74	
Do you want to allow another person to discuss this return with the IRS (see page 58)? <input type="checkbox"/> Yes. Complete the following. <input type="checkbox"/> No			
Designee's name	Phone no.	Personal identification number (PIN)	
Under penalties of perjury, I declare that I have examined this return and accompanying schedules and statements, and to the best of my knowledge and belief, they are true, correct, and complete. Declaration of preparer (other than taxpayer) is based on all information of which preparer has any knowledge.			
Your signature	Date	Your occupation	Daytime phone number
Spouse's signature. If a joint return, both must sign.	Date	Spouse's occupation	
Preparer's signature	Date	Check if self-employed <input type="checkbox"/>	Preparer's SSN or PTIN
Firm's name (or yours if self-employed), address, and ZIP code	EIN	Phone no.	



Department of the Treasury
Internal Revenue Service

▶ Attach to your tax return.

Name(s) shown on return

ABC Fuel Distributing

Identifying number

41-XXXXXX

Type of Alcohol Fuel	(a) Number of Gallons Sold or Used	(b) Rate *	(c) Column (a) x Column (b)
1 Qualified ethanol fuel production (in gallons)	1 0	.10	0
2 Straight alcohol and alcohol mixtures:			
a 190 proof or greater (in gallons)	2a 74,000	.53 (.52**)	38,480
b Less than 190 proof but at least 150 proof (in gallons)	2b 0	.3926 (.3852**)	0
3 Add lines 1, 2a, and 2b in both columns	3 74,000		74,000
4 Other fuels blended with the alcohol on lines 2a and 2b	4 26,000		
5a Total gallons of fuel. Add lines 3 and 4 (column (a)).	5a 100,000		
b Total gallons containing less than 5.7% of 190-proof alcohol or that are exempt from excise taxes (see instructions)	5b 0		
6 Subtract line 5b from line 5a	6 100,000		
7 Break down line 6 into the number of gallons of:			
a Aviation fuel for use in noncommercial aviation containing at least 10% alcohol	7a 0	.133 (.132**)	0
b Gasohol (and other fuels) containing less than 85% alcohol (see instructions)	7b 100,000	(see instructions)	5,200
c Special motor fuel containing 85% or more alcohol (see instructions)	7c 0	.0535 (.0525**)	0
8 Add lines 7a through 7c, column (c)			5,200
9 Subtract line 8 from line 3. Include this amount in your income for 2002			33,280
10 Alcohol fuel credit(s) from a partnership, S corporation, estate, or trust (see instructions)			0
11 Current year credit for alcohol used as fuel. Add lines 9 and 10			33,280

*Only the rate for ethanol is shown. See instructions for lines 2 and 7 for rates for alcohol other than ethanol.

**Rate effective after December 31, 2002.

See **Who must file Form 3800** to find out if you complete the lines below or file **Form 3800**.

12 Regular tax before credits:			
• Individuals. Enter the amount from Form 1040, line 42			
• Corporations. Enter the amount from Form 1120, Schedule J, line 3; Form 1120-A, Part I, line 1; or the applicable line of your return			
• Estates and trusts. Enter the sum of the amounts from Form 1041, Schedule G, lines 1a and 1b, or the amount from the applicable line of your return			
13 Alternative minimum tax (see instructions)			
14 Add lines 12 and 13			
15a Foreign tax credit	15a		
b Credit for child and dependent care expenses (Form 2441, line 11)	15b		
c Credit for the elderly or the disabled (Schedule R (Form 1040), line 24)	15c		
d Education credits (Form 8863, line 18)	15d		
e Credit for qualified retirement savings contributions (Form 8880, line 14)	15e		
f Child tax credit (Form 1040, line 50)	15f		
g Mortgage interest credit (Form 8396, line 11)	15g		
h Adoption credit (Form 8839, line 18)	15h		
i District of Columbia first-time homebuyer credit (Form 8859, line 11)	15i		
j Possessions tax credit (Form 5735, line 17 or 27)	15j		
k Credit for fuel from a nonconventional source	15k		
l Qualified electric vehicle credit (Form 8834, line 20)	15l		
m Add lines 15a through 15l	15m		0
16 Net income tax. Subtract line 15m from line 14. If zero, skip lines 17 through 20 and enter -0- on line 21	16		41,500
17 Net regular tax. Subtract line 15m from line 12. If zero or less, enter -0-	17		
18 Enter 25% (.25) of the excess, if any, of line 17 over \$25,000 (see instructions)	18		
19 Tentative minimum tax (see instructions)	19		
20 Enter the greater of line 18 or line 19			6,500
21 Subtract line 20 from line 16. If zero or less, enter -0-			35,000
22 Credit for alcohol used as fuel allowed for the current year. Enter the smaller of line 11 or line 21 here and on Form 1040, line 53; Form 1120, Schedule J, line 6d; Form 1120-A, Part I, line 2a; Form 1041, Schedule G, line 2c; or the applicable line of your return. If line 21 is smaller than line 11, see instructions	22		33,280



Part I Alternative Minimum Taxable Income (See instructions for how to complete each line.)

1	If filing Schedule A (Form 1040), enter the amount from Form 1040, line 39, and go to line 2. Otherwise, enter the amount from Form 1040, line 36, and go to line 7. (If zero or less, enter as a negative amount.)	1	150,000
2	Medical and dental. Enter the smaller of Schedule A (Form 1040), line 4, or 2½% of Form 1040, line 36	2	0
3	Taxes from Schedule A (Form 1040), line 9	3	15,000
4	Certain interest on a home mortgage not used to buy, build, or improve your home	4	10,000
5	Miscellaneous deductions from Schedule A (Form 1040), line 26	5	0
6	If Form 1040, line 36, is over \$137,300 (over \$68,650 if married filing separately), enter the amount from line 9 of the worksheet for Schedule A (Form 1040), line 28	6	(0)
7	Tax refund from Form 1040, line 10 or line 21	7	(0)
8	Investment interest expense (difference between regular tax and AMT)	8	0
9	Depletion (difference between regular tax and AMT)	9	0
10	Net operating loss deduction from Form 1040, line 21. Enter as a positive amount	10	0
11	Interest from specified private activity bonds exempt from the regular tax	11	0
12	Qualified small business stock (42% of gain excluded under section 1202)	12	0
13	Exercise of incentive stock options (excess of AMT income over regular tax income)	13	0
14	Estates and trusts (amount from Schedule K-1 (Form 1041), line 9)	14	0
15	Electing large partnerships (amount from Schedule K-1 (Form 1065-B), box 6)	15	0
16	Disposition of property (difference between AMT and regular tax gain or loss)	16	0
17	Depreciation on assets placed in service after 1986 (difference between regular tax and AMT)	17	0
18	Passive activities (difference between AMT and regular tax income or loss)	18	0
19	Loss limitations (difference between AMT and regular tax income or loss)	19	0
20	Circulation costs (difference between regular tax and AMT)	20	0
21	Long-term contracts (difference between AMT and regular tax income)	21	0
22	Mining costs (difference between regular tax and AMT)	22	0
23	Research and experimental costs (difference between regular tax and AMT)	23	0
24	Income from certain installment sales before January 1, 1987	24	(0)
25	Intangible drilling costs preference	25	0
26	Other adjustments, including income-based related adjustments	26	0
27	Alternative tax net operating loss deduction	27	(0)
28	Alternative minimum taxable income. Combine lines 1 through 27. (If married filing separately and line 28 is more than \$173,000, see page 7 of the instructions.)	28	175,000

Part II Alternative Minimum Tax

29 Exemption. (If this form is for a child under age 14, see page 7 of the instructions.)

	IF your filing status is . . .	AND line 28 is not over . . .	THEN enter on line 29 . . .		
	Single or head of household	\$112,500	\$35,750	29 150,000	
	Married filing jointly or qualifying widow(er)	150,000	49,000		
	Married filing separately	75,000	24,500		
	If line 28 is over the amount shown above for your filing status, see page 7 of the instructions.				30 25,000
30	Subtract line 29 from line 28. If zero or less, enter -0- here and on lines 33 and 35 and stop here				
31	<ul style="list-style-type: none"> • If you reported capital gain distributions directly on Form 1040, line 13, or you had a gain on both lines 16 and 17 of Schedule D (Form 1040) (as refigured for the AMT, if necessary), complete Part III on the back and enter the amount from line 57 here. • All others: If line 30 is \$175,000 or less (\$87,500 or less if married filing separately), multiply line 30 by 26% (.26). Otherwise, multiply line 30 by 28% (.28) and subtract \$3,500 (\$1,750 if married filing separately) from the result. 				31 6,500
32	Alternative minimum tax foreign tax credit (see page 7 of the instructions)				32 0
33	Tentative minimum tax. Subtract line 32 from line 31				33 6,500
34	Tax from Form 1040, line 42 (minus any tax from Form 4972 and any foreign tax credit from Form 1040, line 45)				34 0
35	Alternative minimum tax. Subtract line 34 from line 33. If zero or less, enter -0-. Enter here and on Form 1040, line 43				35 6,500

